

Message Text

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ORIGIN STR-04

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AID-05 SS-15 ITC-01 TRSE-00 USIA-15 PRS-01 SP-02
OMB-01 STRE-00 /099 R

DRAFTED BY STR:BSTEINBOCK
APPROVED BY STR:SLANDE
AGRICULTURE:GHEIMPEL
COMMERCE:RADES
LABOR:TFIEKOWSKY
STATE:EB/OT/GCP:RREIS
TREASURY:SSHINDELL
-----106979 190009Z /63

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FM SECSTATE WASHDC
TO AMEMBASSY MEXICO PRIORITY

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E.O. 11652: N/A

TAGS: ETRD, MX, EGEN, OCON

SUBJECT: PROPOSED TOPICS FOR DISCUSSION IN THE TRADE SUB-
GROUP OF THE MEXICO MECHANISM

REF: MEXICO 11521

1. PLEASE DELIVER TO UNDER SECRETARY OF COMMERCE HECTOR
HERNANDEZ THE TEXT OF THE LETTER BELOW AND THE ATTACHED
PROPOSED AGENDA FOR THE TRADE SUBGROUP. THE ORIGINAL WILL
BE POUCHED TO THE EMBASSY.

2. BEGIN TEXT:
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DEAR MR. HERNANDEZ:

I WOULD LIKE TO THANK YOU FOR PROVIDING US WITH YOUR IDEAS
ON THE AGENDA FOR OUR COMING MEETING. I REGRET THAT I DID
NOT REPLY SOONER, BUT WE HAVE JUST RECEIVED THE AGENDA FROM
OUR EMBASSY AND I WOULD LIKE TO GIVE YOU MY COMMENTS.

ON THE WHOLE, WE FIND ACCEPTABLE THE ITEMS YOU SUGGEST FOR THE AGENDA. I WOULD LIKE TO SUGGEST ONLY SOME MINOR CHANGES TO REFLECT A BALANCE OF U.S. AND MEXICO INTERESTS.

SOME REGROUPING OF THE ITEMS YOU HAVE SUGGESTED AS OUTLINED IN THE ATTACHED PROPOSED AGENDA. I BELIEVE THAT YOU WILL FIND THAT I HAVE INCLUDED ALL THE MATTERS THAT YOU HAVE MENTIONED, AS WELL AS THOSE WE WOULD LIKE TO DISCUSS. IN MY OPINION THERE SHOULD BE PARTICULAR EMPHASIS ON DEVELOPING A MORE EFFECTIVE MECHANISM FOR DEALING WITH BILATERAL AND MULTILATERAL PROBLEMS. WE SHOULD SPECIFICALLY FOCUS ON A TIMETABLE FOR THE MTN AND TROPICAL PRODUCTS.

I SUGGEST THAT THE MEETINGS START AT 2:30 P.M. ON JULY 21, AT THE OFFICE OF THE SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS. (ROOM 730, 1800 G STREET, N.W.). DISCUSSIONS CAN CONTINUE JULY 22.

I LOOK FORWARD TO WORKING WITH YOU TO IMPROVE THE TRADING RELATIONS BETWEEN OUR TWO COUNTRIES.

SINCERELY,

ALAN WM. WOLFF
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PROPOSED AGENDA FOR DISCUSSION IN THE TRADE SUBGROUP OF
THE U.S. - MEXICO CONSULTATIVE MECHANISM

1. OBJECTIVES OF MEXICAN TRADE POLICY TOWARD THE U.S.

BALANCE TRADE WITH THE U.S., MAINLY THROUGH INCREASING EXPORTS AT THE SAME TIME AS IMPORTS ARE RATIONALIZED.

2. OBJECTIVES OF U.S. TRADE POLICY TOWARD MEXICO

THE U.S. AIM IS TO ENCOURAGE CONTINUING LIBERALIZATION OF TRADE BETWEEN OUR TWO COUNTRIES. WHILE WE UNDERSTAND THAT MEXICO WOULD LIKE TO ACHIEVE MORE BALANCED TRADE, THE U.S. PLACES EMPHASIS ON EXPANDED BILATERAL TRADE. WE HAVE NOTED WITH PLEASURE INDICATIONS THAT MEXICO IS PLANNING TO RATIONALIZE ITS TRADING SYSTEM AND EXPECT THIS WILL CONTRIBUTE TO LIBERALIZATION OF TRADE. THE UNITED STATES BELIEVES THAT A LIBERALIZED AND RATIONALIZED TRADING SYSTEM IN MEXICO WILL ENCOURAGE THE DEVELOPMENT OF INTERNATIONALLY COMPETITIVE INDUSTRIES AND THUS CONTRIBUTE TO MEXICO'S DEVELOPMENT.

3. MULTILATERAL TRADE NEGOTIATIONS

(A) REVIEW OF PROGRESS AND POSITIONS

-- DISCUSSION OF A TIMETABLE FOR WORK IN THE MTN TO ASSURE CONCLUSION OF THE MTN ON A SATISFACTORY AND TIMELY BASIS. REPORT ON U.S. MEETINGS WITH THE EUROPEAN COMMUNITY AND WITH OTHER MTN PARTICIPANTS.

-- EXCHANGE OF OPINIONS OF A GENERAL NATURE ON THE WORK OF THE NEGOTIATING GROUPS OF THE TRADE NEGOTIATIONS COMMITTEE, MAINLY THE FOLLOWING GROUPS: TARIFFS, INSTITUTIONAL FRAMEWORK, SAFEGUARDS, COUNTERVAILING DUTIES, AND THE DISCUSSION
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SION OF ANTI-DUMPING IN THE NTM PARENT GROUP.

-- DISCUSSION AND POSSIBLE CONCLUSION OF THE NEGOTIATING PHASE OF THE TROPICAL PRODUCTS AGREEMENT WITH MEXICO.

(B) U.S. AND MEXICAN PROBLEMS THAT CAN BE SOLVED IN THE MTN

-- DISCUSSION OF TARIFF REDUCTIONS OF INTEREST TO MEXICO AND THE UNITED STATES, INCLUDING SEASONAL DUTIES.

-- DISCUSSION OF NONTARIFF MEASURES OF CONCERN TO THE UNITED STATES AND MEXICO.

-- DESCRIPTION OF RECENT MEASURES TAKEN BY MEXICO TO LIBERALIZE IMPORT TRADE. (THE UNITED STATES IS INTERESTED IN THE VIEWS SET FORTH IN THE AGENDA PROPOSED BY MEXICO.)

-- ESTABLISH THE PARAMETERS THAT WILL ALLOW MEXICO TO JOIN THE GATT AT THE END OF THE MTN.

4. U.S. AND MEXICAN PROBLEMS THAT CAN BE SOLVED BILATERALLY

-- NONTARIFF MEASURES: ESTABLISH A CONSULTATIONS MECHANISM WHICH WOULD PERMIT PROBLEMS WITH MEXICAN AND U.S. EXPORTS IN THIS AREA TO BE SOLVED. SPECIFICALLY, WE MIGHT ADDRESS THE PROBLEMS ENCOUNTERED IN THE HEALTH AND SANITARY FIELD; MARKETING ORDERS; QUOTAS; IMPORT LICENSES; AND OFFICIAL PRICES.

-- MEXICAN VIEWS ON JOINT PROGRAMS FOR THE SALE OF AGRICULTURAL PRODUCTS WITH A VIEW TOWARD FORMULATING LONG-
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RANGE POLICY DEVELOPMENT. MEXICAN OBJECTIVE: THE FORMULATION AND ADOPTION OF A TRADE PROGRAM FOR AGRICULTURAL PRODUCTS TO BE EXPORTED TO THE U.S. WHICH COULD INCLUDE SUPPLYING U.S. SHORT-RANGE PRODUCTION SHORTFALLS WITH MEXICAN PRODUCTS AND THE BEGINNING OF CONSULTATIONS ON LONG-RANGE POLICIES IN THIS SECTOR TO PLAN MEXICAN PRODUCTION UNDER BENEFICIAL MARKET CONDITIONS. WITHIN THE

DEVELOPMENT OF LONG-RANGE POLICIES, ESTABLISH A MECHANISM TO COMPARE THE AGRICULTURAL PRODUCTION PERIODS IN EACH COUNTRY, OR REDUCE THE PROTECTED PERIODS IN APPLICABLE MARKETS.

-- ESTABLISH A MECHANISM FOR MUTUAL EXCHANGE OF INFORMATION ON MARKET CONDITIONS.

-- DISCUSSION OF U.S. APPLICATION OF TRADE ACT PROVISIONS, INCLUDING CURRENT CASES PENDING UNDER SECTION 201. EXAMPLES WHICH CAN BE ANALYZED INCLUDE: FRESH FLOWERS, HATS AND VISORS, CAST IRON STOVES, LIVE CATTLE, CERTAIN BEEF PRODUCTS FOR HUMAN CONSUMPTION, CAST IRON PIPE, PIPE FITTINGS, AMONG OTHERS. MEXICAN VIEWS WITH REGARD TO COUNTERVAILING DUTIES IN THE CASE OF CARBON STEEL PLATE COULD BE DISCUSSED AS WELL AS THE CASE OF SULPHUR UNDER ANTIDUMPING.

5. THE GENERALIZED SYSTEM OF PREFERENCES

-- DISCUSSION OF THE CURRENT REVIEW OF THE UNITED STATES WITH REGARD TO THE OPERATION OF ITS GENERALIZED SYSTEM OF PREFERENCES.

-- DISCUSSION OF PROBLEMS RELATING TO MEXICO'S USE OF THE GENERALIZED SYSTEM OF PREFERENCES, INTER ALIA, PROBLEMS CONCERNING THE COUNTING OF BORDER INDUSTRY EXPORTS FOR GSP; CONSIDERATION OF THE VALUE ADDED PROBLEM.

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6. TEXTILES

-- EXTENSION OF THE ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES AND TOPICS RELATED TO UNCTAD.

-- EXCHANGE OF INFORMATION ON U.S. AND MEXICAN POSITIONS CONCERNING THE POSITION OF THE EUROPEAN ECONOMIC COM-

MUNITY AND CANADA ON THE ADDITIONAL LIMITATIONS THAT THESE COUNTRIES WISH TO INCLUDE IN THE NEW ARRANGEMENT ON INTERNATIONAL TEXTILE TRADE.

7. COMMODITIES AND RELATED ISSUES

(A) SUGAR -- MEXICO'S POSITION AS AN EXPORTING COUNTRY. MEXICO'S INTEREST, AS A TRADITIONAL SUGAR EXPORTER TO THE U.S. MARKET, IN ITS INCLUSION IN ANY RETURN TO THE QUOTA SYSTEM IN EFFECT UP TO DECEMBER 31, 1974 OR ANY OTHER SYSTEM STUDIED. ADDITIONALLY, DISCUSSION OF THE OPINIONS EXPRESSED BY THE VARIOUS COUNTRIES DURING THE LAST U.S. CONFERENCE ON SUGAR, 1977, IN ORDER TO FIND POINTS OF AGREEMENT BETWEEN THE U.S. AND MEXICAN POSITIONS WITH

RESPECT TO THOSE OF OTHER COUNTRIES.

(B) COFFEE, COCOA, ETC.

(C) OTHER RAW MATERIALS: WE UNDERSTAND THAT MEXICO IS INTERESTED IN DISCUSSING THE ASSURANCE OF FAVORABLE CONDITIONS FOR THE EXPORT OF MEXICAN PRODUCTS TO THE U.S., BASED ON INTERNATIONAL TRADING ARRANGEMENTS. MEXICO ALSO FEELS THAT AN ANALYSIS SHOULD BE MADE OF MEANS OF NOT ENCOURAGING THE PRODUCTION OF SYNTHETIC SUBSTITUTES FOR MEXICAN RAW MATERIAL EXPORTS. THE UNITED STATES IS UNCLASSIFIED

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INTERESTED IN HEARING CLARIFICATION OF MEXICO'S IDEAS ON INTERNATIONAL TRADING ARRANGEMENTS. THE U.S. IS WILLING TO EXAMINE WAYS TO EXPAND THE USE OF NATURAL PRODUCTS, BUT THE U.S. GOVERNMENT CANNOT TAKE MEASURES TO RESTRICT THE PRODUCTION OF SYNTHETIC MATERIALS.

(D) EXCHANGE OF POINTS OF VIEW OF THE MOST IMPORTANT TOPICS TO BE DISCUSSED IN UNCTAD AND ITS COMMISSIONS (INTEGRATED PROGRAM).

8. FUTURE WORK OF THE GROUP

THE UNITED STATES IS INTERESTED IN ASSURING THAT DISCUSSIONS WITH MEXICO ON TRADE PROBLEMS, AS WELL AS ON THE FUTURE WORK OF THE MTN CONTINUE. THEREFORE, WE WOULD LIKE TO SEE THE TRADE DISCUSSIONS CONTINUE ON A SEMI-ANNUAL BASIS. END TEXT. VANCE

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